



MAYOR AND COUNCIL AGENDA

NO. 4

DEPT.: Information and Technology / Finance

DATE: December 8, 2004

ACTION: Approve Contract

TO: CGI-AMS

OF: Fairfax, Virginia

AMOUNT: \$627,500

FOR: Professional Services and Software for Phase
One of the City's Financial System Upgrade

ACTION STATUS:

FOR THE MEETING OF: 12/13/04

INTRODUCED

PUB. HEARING

INSTRUCTIONS

APPROVED

EFFECTIVE

ROCKVILLE CITY CODE,

CHAPTER

SECTION

☐ **CONSENT AGENDA**

RECOMMENDATION: To approve contract of phase one of the upgrade of the City's most critical computer application, the CGI-AMS financial system in the amount of \$627,500. Phase one includes upgrading: accounts payable, general ledger, purchasing, and inventory systems. Staff also recommends approval of transferring \$200,000 from the FY04 fund balance, which will be included in a budget amendment in January.

IMPACT: ☐ Environmental ☒ Fiscal ☐ Neighborhood ☐ Other:

See "Availability of Funding" below.

BACKGROUND:

Strategic Importance

Strategically, this is the core business application necessary to deliver services to citizens, the Mayor and Council, and City employees. Most of the computer application systems in use at the City depend upon and interact with the financial system software at some level – essentially, the financial software is the “central nervous system” of the City’s business processes. It provides:

- crucial financial information to senior and mid-level management and outside agencies
- processing of essential financial transactions including: payroll, purchasing, accounts payable, general ledger, etc.
- enforces compliance with approved budget
- control procedures
- financial reporting and legal requirements
- integration with City’s other key business applications and service providers including recreation, pension, retirement, and banking services

Additionally, upgrading to the new version of CGI-AMS allows the City to:

- respond to Mayor and Council requests for information more efficiently through the use of a new custom and ad/hoc query capability
- support organizational changes implemented by the new City Manager and new Finance Director
- change business rules and processes more efficiently
- streamline workflow
- reduce paperwork and with built-in audit controls move closer to a paperless environment
- generate reports utilizing a superior report writing and data warehousing software tool
- give all users a much clearer idea where expenditures are being made, especially with the use of commodity codes and more detailed description fields
- simplify disaster recovery

Failure to upgrade this software and moving off of the mainframe platform will increase the risk of interrupting critical business processes including paying vendors and processing payroll. The City's current mainframe based financial and payroll/personnel systems are being dropped from support by the vendor, CGI-AMS. The IBM computing platform these systems operate on is also no longer supported. Both the software and the computing platform have far exceeded the end of a reasonable life cycle, having been in production at the City for more than 18 years. The mainframe is running on obsolete technology and is susceptible to more frequent hardware failures. This particular computing platform is proprietary and parts and third-party service providers are becoming difficult to obtain.

Project Description and Background

CGI-AMS is offering the City a major upgrade that evolved from the current design, but re-written to execute on modern, open system platforms. The core software is offered without charge to the City, but will require substantial dollar investment to implement. The project consists of phase one, two and optional phase three. Staff recommends approval of phase one, which includes upgrading: accounts payable, general ledger, purchasing, and inventory subsystems with a tentative completion date of September 2005. Phase two would include the upgrade of the payroll, HR, and position control subsystems would be completed in FY06. Phase three could include purchasing and implementing an advanced budget system and/or an e-procurement system.

Finance and IT staff have explored the top two classes of financial software systems on the market. The top tier systems (SAP, PeopleSoft, Oracle, etc.) offer at least the same functionality as the current CGI-AMS system, but the risks, costs, and staff commitment to implementing these alternatives are excessive. Systems in this class would likely cost the City a minimum of \$2 million dollars to bring into production. The City of Annapolis has recently begun such a project, of slightly broader scope, and has budgeted \$2 million dollars for the effort. Implementation projects for these systems have a high failure rate and often have significant cost overruns.

The second class of systems is roughly comparable in cost to implementing CGI-AMS' solution. However, these systems lack the integration and feature set the City requires, and are generally based on somewhat older technologies. Most of these systems are not capable of handling the complexity of City's financial processing requirements, which include 11 separate funds. The CGI-AMS product is a state of the art design that is comparable to the top tier financial/HR systems, but for a much-reduced cost and implementation effort. The current systems have been in place at the City since 1987, and have been continuously enhanced over that time. Finance has tripled the

number of daily accounting events in that time period, increased the number of active vendors and A/P payments by the same factor, and is paying several hundred more full and part-time employees; the current systems have "scaled up" very well and, consequently, the Finance Department has not had to add staff.

Finance and IT staff believe the CGI-AMS software implementation would be substantially accelerated, compared to bringing in a completely new software suite, especially given the long and in-depth familiarity of their staff with CGI-AMS' design. The upgraded system should require less training for staff, and be far less expensive to support and operate than the other top tier software alternatives. There is typically a large and expensive follow-on consulting burden on these implementations. CGI-AMS is also including data conversion software as part of the offering.

Most of the computer application systems in use at the City depend upon and interact with the financial system software at some level. Permitting, recreation, H/R, utility billing, traffic tickets, etc., all have some degree of interaction with the financial system. Any new initiative affecting service to citizens will eventually have to "talk" to this system. Staff also anticipates that new requirements, such as vendor self service (self registration and on line bid responses), employee self-service, and internal workflow will require a fully featured system in same class as the CGI-AMS product.

Locally, Howard County, Baltimore County, Baltimore County Public Schools, Anne Arundel Public Schools and Prince William County Public Schools have upgraded or are in the process of upgrading their CGI-AMS systems. Nationwide, approximately 45 CGI-AMS clients including states, counties and municipalities have upgraded or intend to upgrade to the current version of CGI-AMS software

Cost

CGI-AMS, will provide the City follow-on products to replace the current systems. These follow-on products are Web-based and utilize modern Web-portal and server-based technology. The upgraded software is without charge, but the City will incur significant costs for professional services, new hardware, and required third party software.

By moving forward with this upgrade project now, the vendor has offered some additional software at no cost. CGI-AMS will provide a "starter-kit" to streamline the design and implementation of the systems. The starter kit normally would cost \$50,000, but it is being offered to the City at no cost. The vendor is also giving the City an "e-learning" training module, which would substantially reduce the professional services hours for training City employees. This module also lets staff repeat training if necessary and have self-paced learning. The e-learning module normally costs \$80,000 and is also being offered to the City at no charge. Providing these two packages at no cost saves the City \$130,000 and will likely save expenditures for CGI-AMS professional services.

The new software will enable the reengineering of some City business processes, particularly in the areas of purchasing and budgeting. This application suite is a Web-based, modern and user-friendly product, and compatible with software tools in common use. It will provide middle and senior managers with a clearer, more detailed, and timely view of revenue and expenditure events. The ad hoc query tools are far superior to those currently in place, as well.

Staff recommends implementing the project in three phases:

Phase One – Implementation of Financial System Software – Start Jan. 2005 – end Sep. 2005

New AMS reporting and ad hoc query tool	\$80,000
Required third party tools	135,000
AMS professional services @ \$165 per hour (max 2500)	<u>412,500*</u>
Total CGI-AMS Contract Costs for Phase One:	\$627,500

*see attached list of detailed professional service tasks

Non CGI-AMS costs; server & database software & hardware	\$75,000.
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Total Phase One Costs for FY05	\$650,000
Total Phase One Costs for FY06	\$ 52,500

Phase Two: Install and implement Payroll/Personnel System – To be Completed in FY06

CGI-AMS costs; professional services @ \$165 per hour (max 1500)	\$247,500
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Total Phase Two Costs for FY06	\$247,500
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Total Two-Year Costs For Phase One and Two	\$950,000
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CGI-AMS has offered the City an upgrade starter kit at no charge, which consists of templates, set-up assistance, and other services that CGI-AMS believes, may reduce by a third or more the budgeted 2500 consulting hours required to implement the financial system. The starter kit enables City staff to assume responsibility for a greater share of the analysis, business process design, and implementation tasks usually done by AMS. Given the Finance & IT Department's expertise and familiarity with CGI-AMS' systems, staff believes this is a reasonable estimate of the potential savings.

Phase Three (Optional) Purchase and Implement CGI-AMS Add-On Modules

Staff would explore the potential benefits and costs of purchasing and implementing advanced budgeting, vendor self-service, and employee self-service modules from CGI-AMS. The cost for software licenses and services to implement the advanced budgeting module is estimated at \$200,000. Another optional add-on product is vendor self service which provides a comprehensive e-procurement system. The cost of implementing vendor self-service is \$94,000 for software and professional services.

The overall cost of implementing phase one, phase two, and both add-on modules in phase three is Approximately \$1,244,000. This is only an estimate and the actual costs are expected to be substantially lower if City staff is successful in utilizing the starter kit to reduce the professional service hours of CGI-AMS.

Availability of funding:

The FY 2005 CIP has a total of \$650,000 for this project, with \$450,000 budgeted in FY 2005 and the remainder in FY 2006 (Financial System, 420-750-4B01). As indicated above, additional funds will need to be added to this project to cover all identified costs. Staff recommends that \$200,000 of the undesignated fund balance at year-end FY 2004 be appropriated in FY 2005 for Phase One of the financial system upgrade. The FY06 CIP includes \$200,000, which could substantially fund Phase Two, the upgrade of the payroll and HR system.

With the addition of funding in FY05, total project funding will be \$850,000, which would be \$100,000 short of wholly funding phase one and two without successfully utilizing the starter kit. Staff believes

\$850,000 will be sufficient if the upgrade starter kit reduces the need for consulting services by 15%. If the use of the starter kit reduces the need for consulting services by one third, funds will be available for the purchase and implementation of some of the Phase Three modules. A budget amendment to appropriate the additional funds will be brought to the Mayor and Council in January. As noted in the first quarter financial report, approximately \$1.5 million of undesignated fund balance is available for one-time uses in the operating budget or CIP.

Budget impact beyond the CIP project:

Software maintenance fees to CGI-AMS will increase by approximately \$42,000 per year after installation, bringing total annual maintenance costs to \$112,000.

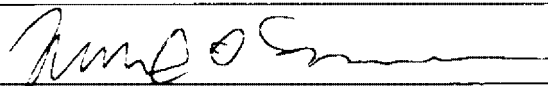
Hardware (periodic server replacement) will increase approx \$13,000 per year.

Elimination of the obsolete platform will save approx. \$12,000 per year.

Section 17-88 of the City Code allows the City to utilize special procurement procedures if the Mayor and Council make a written determination that a unique or unusual circumstance exists that makes the competitive procurement process contrary to the City interests.

Therefore, approval of this agenda item will also include a finding by the Mayor and Council that the nature of this procurement and the cost savings to be realized justify the special procurement procedure.

PREPARED BY:



Mike Cannon, Director of Information & Technology

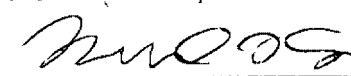
CONCUR:



Donna Boxer, Director of Finance

12/5/04

Date



Mike Cannon, Director of Information & Technology

12/8/04

Date




Eileen Morris, Contract Officer

12/8/04

Date

APPROVE:



Scott Ullery, City Manager

12/08/04

Date

LIST OF ATTACHMENTS:

CGI-AMS Professional Services Tasks for Phase One of the Financial System Upgrade.

CGI-AMS Professional Services Tasks for Phase One of Financial System Upgrade

- Server specification and configuration for 6-7 logical servers
 - Network setup
 - Backup and recovery set-up and testing
- Software installation
- Training/employment of tools (Versata, WebSphere, InfoAdvantage.E-learning)
 - IT staff (Tom & Tony)
 - Finance (Tim, Dave, Dominic, Gil, Jen, Whitney)
- Data conversion setup & testing
 - Conversion customization
 - Conversion tests (iterative)
- Business process evaluation and design
 - Evaluation of current business processes
 - Business process redesign
 - Incorporation of workflow elements
- Financial system set-up:
 - Chart of accounts set-up
 - Forms design (purchase orders, checks. etc.)
 - Interface design/replication
 - Interfaces from payroll, utility billing, & recreation systems
 - Interfaces to external orgs (State, Feds, SunTrust, BankOne).
 - Custom report design/replication
 - Budget loading
- Parallel testing (iterative)
 - Data entry (Purchasing, A/P, Accountants, Budget, Revenue)
 - Purchasing
 - Vendor history and performance data updates
 - Requisition & purchase order process design
 - PO generation
 - Accounting
 - Bank reconciliation
 - Credit card reconciliation
 - Account balancing
 - Custom report
 - A/P check generation
 - Budget data import and extract
 - External interfaces (Payroll, State/Feds, banks)
 - Monthly closing
 - Annual closing
 - Reporting
 - 1099 test
- Training
 - Finance users
 - Data entry for clerks
 - Query tools
 - Departmental users
 - Business process changes
 - Information retrieval
- Rollout support
 - On-site for initial rollout, and problem resolution.